

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**HARRIS COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**NOVEMBER 30, 2023**



**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1**

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**NOVEMBER 30, 2023**



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**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708

PO Box 29584  
Austin, TX 78755-5126  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

**INDEPENDENT AUDITOR'S REPORT**

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

**Opinions**

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.





### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Board of Directors  
Harris County Municipal  
Management District No. 1

### **Supplementary 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 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*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

February 28, 2024



**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED NOVEMBER 30, 2023**

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, 2023. 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, 2023**

**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") and other supplementary information. 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 \$5,214,494 as of November 30, 2023.

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, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 8,813,147	\$ 7,189,765	\$ 1,623,382
Capital Assets (Net of Accumulated Depreciation)	<u>650,369</u>	<u>699,616</u>	<u>(49,247)</u>
Total Assets	<u>\$ 9,463,516</u>	<u>\$ 7,889,381</u>	<u>\$ 1,574,135</u>
Total Liabilities	<u>\$ 41,481</u>	<u>\$ 108,519</u>	<u>\$ 67,038</u>
Deferred Inflows of Resources	<u>\$ 4,207,541</u>	<u>\$ 4,044,288</u>	<u>\$ (163,253)</u>
Net Position:			
Net Investment in Capital Assets	\$ 650,369	\$ 699,616	\$ (49,247)
Unrestricted	<u>4,564,125</u>	<u>3,036,958</u>	<u>1,527,167</u>
Total Net Position	<u>\$ 5,214,494</u>	<u>\$ 3,736,574</u>	<u>\$ 1,477,920</u>

The following table provides a summary of the District's operations for the years ended November 30, 2023, and November 30, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Assessment Revenue	\$ 3,785,633	\$ 3,535,448	\$ 250,185
Other Revenues	<u>258,047</u>	<u>50,127</u>	<u>207,920</u>
Total Revenues	<u>\$ 4,043,680</u>	<u>\$ 3,585,575</u>	<u>\$ 458,105</u>
Expenses for Services	<u>2,565,760</u>	<u>2,948,731</u>	<u>382,971</u>
Change in Net Position	\$ 1,477,920	\$ 636,844	\$ 841,076
Net Position, Beginning of Year	<u>3,736,574</u>	<u>3,099,730</u>	<u>636,844</u>
Net Position, End of Year	<u>\$ 5,214,494</u>	<u>\$ 3,736,574</u>	<u>\$ 1,477,920</u>

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED NOVEMBER 30, 2023**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's General Fund fund balance as of November 30, 2023, was \$4,562,978, an increase of \$1,529,580 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 \$457,893 more than budgeted. Actual expenditures were \$1,857,387 less than budgeted. This resulted in a positive budget variance of \$2,315,280. See the budget to actual comparison for further information.

**CAPITAL ASSETS**

Capital assets as of November 30, 2023, total \$650,369 (net of accumulated depreciation) and include district monuments and equipment.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated			
Construction in Progress	\$ 9,000	\$ 59,815	\$ (50,815)
Capital Assets Net of Depreciation			
Buildings and Improvements	220,028	235,672	(15,644)
Other	421,341	404,129	17,212
Total Net Capital Assets	\$ 650,369	\$ 699,616	\$ (49,247)

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, 2023**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 46,010	\$	\$ 46,010
Investments	4,572,087		4,572,087
Receivables:			
Property Assessments	4,184,612		4,184,612
Prepaid Expenditures	10,438		10,438
Construction in Progress		9,000	9,000
Capital Assets, Net of Accumulated Depreciation		641,369	641,369
<b>TOTAL ASSETS</b>	<b>\$ 8,813,147</b>	<b>\$ 650,369</b>	<b>\$ 9,463,516</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 37,905	\$	\$ 37,905
Due to Taxpayer	3,576		3,576
<b>TOTAL LIABILITIES</b>	<b>\$ 41,481</b>	<b>\$ -0-</b>	<b>\$ 41,481</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Assessment	\$ 4,208,688	\$ (1,147)	\$ 4,207,541
<b>FUND BALANCE</b>			
Nonspendable: Prepaid Costs	\$ 10,438	\$ (10,438)	\$
Assigned to 2024 Budget Deficit	1,553,852	(1,553,852)	
Unassigned	2,998,688	(2,998,688)	
<b>TOTAL FUND BALANCE</b>	<b>\$ 4,562,978</b>	<b>\$ (4,562,978)</b>	<b>\$ -0-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
	<b>\$ 8,813,147</b>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 650,369	\$ 650,369
Unrestricted		4,564,125	4,564,125
<b>TOTAL NET POSITION</b>		<b>\$ 5,214,494</b>	<b>\$ 5,214,494</b>

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, 2023**

Total Fund Balance - Governmental Fund \$ 4,562,978

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. 650,369

Deferred inflows of resources related to assessment revenues for the 2022 assessments became part of recognized revenues in the governmental activities of the District. 1,147

Total Net Position - Governmental Activities \$ 5,214,494

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, 2023**

	General Fund	Adjustments	Statement of Activities
<b>REVENUES</b>			
Assessment Revenue	\$ 3,788,046	\$ (2,413)	\$ 3,785,633
Penalty and Interest	7,093		7,093
Investment Revenues	250,954		250,954
<b>TOTAL REVENUES</b>	<b>\$ 4,046,093</b>	<b>\$ (2,413)</b>	<b>\$ 4,043,680</b>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Administrative			
Personnel	\$ 118,137	\$	\$ 118,137
Professional Fees	115,160		115,160
Contracted Services	56,606		56,606
Insurance	10,825		10,825
Depreciation		34,132	34,132
Other	77,256		77,256
Mobility, Transportation & Urban Design	1,361,974	15,750	1,377,724
Security and Public Safety	774,130		774,130
Building Relationships	1,790		1,790
Capital Outlay	635	(635)	
<b>TOTAL EXPENDITURES/EXPENSES</b>	<b>\$ 2,516,513</b>	<b>\$ 49,247</b>	<b>\$ 2,565,760</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 1,529,580</b>	<b>\$ (1,529,580)</b>	
<b>CHANGE IN NET POSITION</b>		1,477,920	1,477,920
<b>FUND BALANCE/NET POSITION - DECEMBER 1, 2022</b>	<b>3,033,398</b>	<b>703,176</b>	<b>3,736,574</b>
<b>FUND BALANCE/NET POSITION - NOVEMBER 30, 2023</b>	<b>\$ 4,562,978</b>	<b>\$ 651,516</b>	<b>\$ 5,214,494</b>

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, 2023**

Net Change in Fund Balance - Governmental Fund	\$	1,529,580
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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.		(2,413)
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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.		(34,132)
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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.		(15,115)
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Change in Net Position - Governmental Activities	\$	<u>1,477,920</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, 2023**

**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 as Chapter 3810, Texas Special District Local Laws Code (formerly as subchapter H, 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 Texas Commission on Environmental Quality.

The District is a political subdivision of the State of Texas governed by an appointed 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 appointed 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, 2023**

**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, 2023**

**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, 2023**

**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, 2023**

**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 appropriable 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, 2023, the District has assigned \$1,553,852 of the General Fund fund balance to cover a portion of the 2024 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, 2023**

**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, 2023, the carrying amount of the District’s deposits was \$46,010 and the bank balance was \$203,231. 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, 2023, as listed below:

	Cash
GENERAL FUND	\$ 46,010

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, 2023**

**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 Hermes, 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, 2023, 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	<u>\$ 4,572,087</u>	<u>\$ 4,572,087</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At November 30, 2023, 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, 2023**

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended November 30, 2023:

	December 1, 2022	Increases	Decreases	November 30, 2023
<b>Capital Assets Not Being Depreciated</b>				
Construction in Progress	\$ 59,815	\$ 635	\$ 51,450	\$ 9,000
<b>Capital Assets Subject to Depreciation</b>				
Buildings and Improvements	\$ 312,883	\$	\$	\$ 312,883
Equipment	7,332			7,332
Other	410,403	35,700		446,103
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 730,618</u>	<u>\$ 35,700</u>	<u>\$ - 0 -</u>	<u>\$ 766,318</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	\$ 77,211	\$ 15,644	\$	\$ 92,855
Equipment	7,332			7,332
Other	6,274	18,488		24,762
<b>Total Accumulated Depreciation</b>	<u>\$ 90,817</u>	<u>\$ 34,132</u>	<u>\$ - 0 -</u>	<u>\$ 124,949</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 639,801</u>	<u>\$ 1,568</u>	<u>\$ - 0 -</u>	<u>\$ 641,369</u>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 699,616</u>	<u>\$ 2,203</u>	<u>\$ 51,450</u>	<u>\$ 650,369</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.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2023**

**NOTE 5. ANNUAL AD VALOREM ASSESSMENT (Continued)**

The District levied the 2023 ad valorem assessment of \$0.10 per \$100 of assessed valuation, resulting in an assessment of \$4,207,541 on the taxable valuation of \$4,391,682,818. 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.

**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 AGREEMENTS**

The District has entered into reimbursement agreements with developers in the District for shared funding for the burial of overhead electrical and other utility lines within the District. Each developer agrees to make all payments necessary to fund its 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 responsibly, financial or otherwise, for the ownership and/or operation of the project.

Upon completion of 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 reimburse a developer for each project upon the completion of such project 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 each developer until the reimbursement amount has been paid in full.

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**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1**

**REQUIRED SUPPLEMENTARY INFORMATION**

**NOVEMBER 30, 2023**





**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, 2023**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Assessment Revenue	\$ 3,578,200	\$ 3,788,046	\$ 209,846
Penalty and Interest		7,093	7,093
Investment Revenues	<u>10,000</u>	<u>250,954</u>	<u>240,954</u>
<b>TOTAL REVENUES</b>	<u>\$ 3,588,200</u>	<u>\$ 4,046,093</u>	<u>\$ 457,893</u>
<b>EXPENDITURES</b>			
Service Operations:			
Administrative			
Personnel	\$ 157,500	\$ 118,137	\$ 39,363
Professional Fees	149,800	115,160	34,640
Contracted Services	60,500	56,606	3,894
Insurance	12,600	10,825	1,775
Other	46,100	77,256	(31,156)
Mobility, Transportation &			
Urban Design	2,625,600	1,361,974	1,263,626
Security and Public Safety	757,800	774,130	(16,330)
Building Relationships	14,000	1,790	12,210
Capital Outlay	<u>550,000</u>	<u>635</u>	<u>549,365</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,373,900</u>	<u>\$ 2,516,513</u>	<u>\$ 1,857,387</u>
<b>NET CHANGE IN FUND</b>			
<b>BALANCE</b>	\$ (785,700)	\$ 1,529,580	\$ 2,315,280
<b>FUND BALANCE -</b>			
<b>DECEMBER 1, 2022</b>	<u>3,033,398</u>	<u>3,033,398</u>	
<b>FUND BALANCE -</b>			
<b>NOVEMBER 30, 2023</b>	<u>\$ 2,247,698</u>	<u>\$ 4,562,978</u>	<u>\$ 2,315,280</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, 2023**



**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED NOVEMBER 30, 2023**

PERSONNEL EXPENDITURES (including benefits)	<u>\$ 118,137</u>
PROFESSIONAL FEES:	
Auditing	\$ 14,000
Legal	97,758
Delinquent Tax Attorney	<u>3,402</u>
TOTAL PROFESSIONAL FEES	<u>\$ 115,160</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 14,919
Assessment Collector	<u>41,687</u>
TOTAL CONTRACTED FEES	<u>\$ 56,606</u>
Utilities:	
Telephone	<u>\$ 2,339</u>
ADMINISTRATIVE EXPENDITURES:	
Rent	\$ 19,146
Insurance	10,825
Legal Notices	528
Office Supplies and Postage	13,684
Travel and Meetings	330
Marketing	11,000
Other	<u>30,229</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 85,742</u>
CAPITAL OUTLAY	<u>\$ 635</u>
MOBILITY, TRANSPORTATION & URBAN DESIGN	<u>\$ 1,361,974</u>
BUILDING RELATIONSHIPS	<u>\$ 1,790</u>
SECURITY	<u>\$ 774,130</u>
TOTAL EXPENDITURES	<u><u>\$ 2,516,513</u></u>

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1**  
**INVESTMENTS**  
**NOVEMBER 30, 2023**

<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	\$ 4,363,671	\$
TexPool	XXXX0002	Varies	Daily	<u>208,416</u>	<u>                    </u>
TOTAL GENERAL FUND				<u>\$ 4,572,087</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, 2023**

	Assessments	
ASSESSMENT RECEIVABLE - DECEMBER 1, 2022	\$ 4,047,848	
Adjustments to Beginning Balance	(275,133)	\$ 3,772,715
Original 2023 Assessment Levy	\$ 4,221,026	
Adjustments to 2023 Assessment Levy	(13,485)	4,207,541
TOTAL TO BE ACCOUNTED FOR		\$ 7,980,256
ASSESSMENT COLLECTIONS:		
Prior Years	\$ 3,771,568	
Current Year	24,076	3,795,644
ASSESSMENT RECEIVABLE - NOVEMBER 30, 2023		\$ 4,184,612
ASSESSMENT RECEIVABLE BY YEAR:		
2023		\$ 4,183,465
2022		1,100
2021		47
		\$ 4,184,612

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, 2023**

	2023	2022	2021	2020
PROPERTY VALUATIONS:				
Land, Improvements, Personal Property, Exemptions	<u>\$ 4,391,682,818</u>	<u>\$ 4,190,701,173</u>	<u>\$ 3,759,483,647</u>	<u>\$ 3,803,510,540</u>
ASSESSMENT RATES PER \$100 VALUATION:				
Assessment	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>
ASSESSMENT ROLLS*	<u>\$ 4,207,541</u>	<u>\$ 4,044,288</u>	<u>\$ 3,657,958</u>	<u>\$ 3,656,337</u>
PERCENTAGE OF ASSESSMENTS COLLECTED TO AMOUNT ASSESSED				
	<u>0.57 %</u>	<u>99.97 %</u>	<u>99.99 %</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		
	2023	2022	2021
<b>REVENUES</b>			
Assessment Revenue	\$ 3,788,046	\$ 3,546,199	\$ 3,471,471
Penalty and Interest	7,093	9,903	375
Investment Revenues	250,954	40,224	4,264
Miscellaneous Revenues	<u>                    </u>	<u>                    </u>	<u>42,620</u>
<b>TOTAL REVENUES</b>	<u>\$ 4,046,093</u>	<u>\$ 3,596,326</u>	<u>\$ 3,518,730</u>
<b>EXPENDITURES</b>			
Service Operations:			
Administrative			
Personnel	\$ 118,137	\$ 141,817	\$ 284,855
Professional Fees	115,160	143,982	75,168
Contracted Services	56,606	54,764	52,022
Insurance	10,825	10,467	8,959
Other	77,256	83,054	33,585
Mobility, Transportation & Urban Design	1,361,974	1,792,471	2,000,113
Security and Public Safety	774,130	679,481	316,773
Building Relationships	1,790	20,776	37,230
Capital Outlay	<u>635</u>	<u>355,854</u>	<u>                    </u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,516,513</u>	<u>\$ 3,282,666</u>	<u>\$ 2,808,705</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 1,529,580	\$ 313,660	\$ 710,025
<b>BEGINNING FUND BALANCE</b>	<u>3,033,398</u>	<u>2,719,738</u>	<u>2,009,713</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 4,562,978</u>	<u>\$ 3,033,398</u>	<u>\$ 2,719,738</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2020</u>	<u>2019</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
\$ 3,351,223	\$ 3,207,397	93.6 %	98.6 %	98.7 %	99.5 %	98.7 %
2,929	73	0.2	0.3		0.1	
14,675	41,619	6.2	1.1	0.1	0.4	1.3
	166			1.2		
<u>\$ 3,368,827</u>	<u>\$ 3,249,255</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 229,878	\$ 212,923	3.0 %	4.0 %	8.1 %	6.8 %	6.6 %
71,068	77,056	2.8	4.0	2.1	2.1	2.4
50,787	47,564	1.4	1.5	1.5	1.5	1.5
7,782	7,716	0.3	0.3	0.3	0.2	0.2
25,205	22,581	1.9	2.3	0.9	0.8	0.7
2,419,543	2,197,051	33.7	49.8	56.8	71.8	67.6
307,308	296,421	19.1	18.9	9.0	9.1	9.1
41,746	50,347		0.6	1.0	1.3	1.5
			9.9			
<u>\$ 3,153,317</u>	<u>\$ 2,911,659</u>	<u>62.2 %</u>	<u>91.3 %</u>	<u>79.7 %</u>	<u>93.6 %</u>	<u>89.6 %</u>
\$ 215,510	\$ 337,596	<u>37.8 %</u>	<u>8.7 %</u>	<u>20.3 %</u>	<u>6.4 %</u>	<u>10.4 %</u>
<u>1,794,203</u>	<u>1,456,607</u>					
<u>\$ 2,009,713</u>	<u>\$ 1,794,203</u>					

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, 2023**

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

District Telephone Number - (713) 984-8737

<b>Board Members</b>	Term of Office (Appointed)	Fees of Office for the year ended <u>November 30, 2023</u>	Expense Reimbursements for the year ended <u>November 30, 2023</u>	<u>Title</u>
Ben Gillis	06/21 06/25 (Appointed)	\$ -0-	\$ -0-	President
Steven W. Goss	06/23 06/27 (Appointed)	\$ -0-	\$ -0-	Director
William M. Mosley, Jr.	06/23 06/27 (Appointed)	\$ -0-	\$ -0-	Director
Alan Steinberg	06/23 06/27 (Appointed)	\$ -0-	\$ -0-	Director
Ben Pisklak	06/21 06/25 (Appointed)	\$ -0-	\$ -0-	Assistant- Secretary
Christian Johnson	05/22 06/25 (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, 2023**

<b>Board Members</b>	Term of Office (Appointed)	Fees of Office for the year ended November 30, 2023	Expense Reimbursements for the year ended November 30, 2023	<u>Title</u>
Beau Harrison	06/23 06/27 (Appointed)	\$ -0-	\$ -0-	Director
Dan M. Moody, III	06/23 06/27 (Appointed)	\$ -0-	\$ -0-	Secretary
Kirk Guilanshah	06/21 06/25 (Appointed)	\$ -0-	\$ -0-	Director
Perry Hicks	06/23 06/27 (Appointed)	\$ -0-	\$ -0-	Director
Robert Williamson	06/21 06/25 (Appointed)	\$ -0-	\$ -0-	Vice President

Submission date of most recent District Registration Form: September 20, 2023

See accompanying independent auditor's report.

**HARRIS COUNTY MUNICIPAL MANAGEMENT DISTRICT NO. 1  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
NOVEMBER 30, 2023**

<u>Consultants:</u>	<u>Date Hired</u>	<u>Fees for the year ended November 30, 2023</u>	<u>Title</u>
Allen Boone Humphries Robinson LLP	09/25/03	\$ 97,758	General Counsel
McCall Gibson Swedlund Barfoot PLLC	10/10/02	\$ 14,000	Auditor
ETI Bookkeeping Services	12/17/01	\$ 15,177	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	02/01/02	\$ 3,402	Delinquent Assessment Attorney
Gabrielle Luevano	02/16/22	\$ 97,631	Executive Director
Kenneth Byrd	06/11/02	\$ -0-	Investment Officer
Equi-Tax, Inc.	12/17/01	\$ 41,687	Assessment Collector

See accompanying independent auditor's report.





**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708

PO Box 29584  
Austin, TX 78755-5126  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

February 28, 2024

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

We have audited the financial statements of the governmental activities and major fund of Harris County Municipal Management District No. 1 (the “District”) for the year ended November 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 19, 2017, and subsequent audit continuance letters. Professional standards also require that we communicate to you the following information related to our audit. For the purposes of this letter, the term “management” refers to the Board of Directors and/or District consultants.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. Significant accounting policies used by the District, including new accounting policies, if any, that have been adopted and implemented during the current fiscal year, are discussed in Note 2. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. The financial statement disclosures are neutral, consistent, and clear.

Accounting estimates are an integral part of the financial statements and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District’s financial statements were management’s estimate of depreciable lives of capital assets. Depreciation of infrastructure assets is based on industry wide accepted estimated useful lives taken on a straight-line basis. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The District’s bookkeeper and Board of Directors will be provided with all such adjustments.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 28, 2024.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to perform the following non-attest services for the District: (1) preparation of the financial statements and related notes and schedules in conformity with accounting principles generally accepted in the United States of America and (2) preparation of the capital asset schedules. These services were performed based on information provided by you. We performed these services in accordance with applicable professional standards. The non-attest services we performed are limited to those specifically defined and did not result in assuming management responsibilities.

We applied certain limited procedures to the Management's Discussion and Analysis and the budgetary comparison schedule for the General Fund, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on supplementary information required by the Texas Commission on Environmental Quality, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Directors of the District and is not intended to be, and should not be, used by anyone other than the specified party.

Sincerely,

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

**Memorial Management District General Fund  
Trial Balance Worksheet - Grouped by Type**

Account	Type	Description	11/30/22 Adjusted Balance	11/30/23 Unadjusted Balance	Adjusting JE Adjustments	11/30/23 Adjusted Balance	11/30/23 WP Reference
1-1113	A	WELLS FARGO-2451	33,723.53	46,010.09		46,010.09	B-1
1-1120	A	TEXPOOL	3,099,901.13	4,363,670.77		4,363,670.77	B-1
1-1121	A	Texpool-Reserve	0.00	208,416.18		208,416.18	B-1
1-1150.U00	A	2021 Assessment/Receivables	4,047,847.53	46.88		0.00	
		GF3 Reclass For Report Only--Bookkeeper doesn't need to make this entry			(46.88)		
1-1150.V	A	2022 Assessment Receivables	0.00	1,100.07		0.00	
		GF3 Reclass For Report Only--Bookkeeper doesn't need to make this entry			(1,100.07)		
1-1150.W	A	2023 Assessment Receivables	0.00	4,221,026.38		4,184,611.93	D-1
		GF 2 Adjust 2023 A/R to agree to tax report			(37,561.40)		
		GF3 Reclass For Report Only--Bookkeeper doesn't need to make this entry			1,146.95		
1-1160	A	PREPAID INS	8,291.97	8,291.97		10,437.75	W-4-3
		GF 5 Adjust Prepaid Insurance per analysis			2,145.78		
		<b>Total Assets</b>	<u>7,189,764.16</u>	<u>8,848,562.34</u>	<u>(35,415.62)</u>	<u>8,813,146.72</u>	
1-2000	L	ACCOUNTS PAYABLE--Auditor should not make entries to this account	(475.87)	0.00		0.00	N-1
1-2005	L	Accounts Payable--Auditor Adjustment	(83,808.64)	0.00		(33,913.19)	N-1
		GF 4 Record Accounts Payable per analysis			(33,913.19)		
1-2100	L	PAYROLL LIABILITIES	(1,736.66)	(3,992.11)		(3,992.11)	Pass
1-2161	L	Unclaimed Property	(8,219.84)	0.00		0.00	D-4
1-2175	L	DUE TO TAXPAYER OVERPAYMENT	(14,277.70)	(9,413.79)		(3,575.66)	D-4
		GF 3 Adjust tax revenues per analysis			5,838.13		
1-3009	L	DEFERRED REVENUES-UNCOLLECTED	(4,047,847.53)	(4,222,173.33)		(4,208,687.89)	D-1
		GF 2 Adjust 2023 A/R to agree to tax report			37,561.40		
		GF 3 Adjust tax revenues per analysis			(24,075.96)		
		<b>Total Liabilities</b>	<u>(4,156,366.24)</u>	<u>(4,235,579.23)</u>	<u>(14,589.62)</u>	<u>(4,250,168.85)</u>	
1-3000	Q	F/B UNALLOCATED FUND BALANCE	(2,009,712.56)	(2,009,712.56)		(2,009,712.56)	
1-3900	Q	RETAINED EARN-F/B FUND	(710,025.46)	(1,027,633.50)		(1,023,685.36)	
		GF 1 Adjust to agree beginning fund balance to prior year ending-4332 isn't included in P/L so isn't closing			3,948.14		
		<b>Total Equity</b>	<u>(2,719,738.02)</u>	<u>(3,037,346.06)</u>	<u>3,948.14</u>	<u>(3,033,397.92)</u>	✓
		<b>Total Liabilities &amp; Equity</b>	<u>(6,876,104.26)</u>	<u>(7,272,925.29)</u>	<u>(10,641.48)</u>	<u>(7,283,566.77)</u>	
1-4320	R	PROPERTY ASSESSMENT	(3,546,198.84)	(3,776,055.04)		(3,788,046.02)	D-1
		GF 3 Adjust tax revenues per analysis			(11,990.98)		
1-4321	R	MISCELLANEOUS INCOME	48,178.00	0.00		30,228.81	W-1
		GF 3 Adjust tax revenues per analysis			30,228.81		
1-4331	R	PENALTY & INTEREST	(9,902.72)	(3,691.10)		(7,093.07)	D-2
		GF 3 Adjust tax revenues per analysis			(3,401.97)		

**Memorial Management District  
Trial Balance Worksheet - Grouped by Type**

A-1-1

Account	Type	Description	11/30/22 Adjusted Balance	11/30/23 Unadjusted Balance	Adjusting JE Adjustments	11/30/23 Adjusted Balance	11/30/23 WP Reference
1-4332	R	15% Penalty-Delin Atty Fees	3,943.14	3,015.59		3,401.97	W-4-1
		GF 1 Adjust to agree beginning fund balance to prior year ending-4332 isn't included in P/L so isn't closing			(3,943.14)		
		GF 3 Adjust tax revenues per analysis			3,401.97		
		GF 4 Record Accounts Payable per analysis			927.55		
1-5391	R	INTEREST INCOME	(40,224.46)	(250,954.19)		(250,954.19)	W-1
		<b>Total Revenue</b>	<u>(3,544,204.88)</u>	<u>(4,027,684.74)</u>	<u>15,222.24</u>	<u>(4,012,462.50)</u>	
1-6111	E	ADMIN EXP: SALARIES & WAGES	116,171.65	97,631.32		a 97,631.32	W-4-2
1-6113	E	ADMIN EXP: EMPLOYEE BENEFITS	23,358.07	18,710.47		a 18,710.47	W-4
1-6214	E	ADMIN EXP: PAYROLL TAXES	2,235.90	1,748.65		a 1,748.65	W-4-2
1-6320	E	ADMIN EXP: LEGAL FEES	122,189.40	88,169.55		97,757.74	W-2
		GF 4 Record Accounts Payable per analysis			9,588.19		
1-6321	E	ADMIN EXP: AUDITING FEES	17,850.00	14,000.00		14,000.00	W-4-1
1-6331	E	ADMIN EXP: ASSESSOR COLLECTOR	39,164.52	41,686.88		41,686.88	W-4-1
1-6333	E	ADMIN EXP: BOOKKEEPING	15,599.16	14,919.33		14,919.33	Pass
1-6340	E	ADMIN EXP: COURIER & POSTAGE	265.43	382.11		b 382.11	Pass
1-6351	E	ADMIN EXP: TELEPHONE/INTERNET	2,341.36	2,339.43		2,339.43	Pass
1-6353	E	ADMIN EXP: INSURANCE & SURETY BOND	10,466.84	12,971.08		10,825.30	W-4-3
		GF 5 Adjust Prepaid Insurance per analysis			(2,145.78)		
1-6354	E	ADMIN EXP: LEGAL NOTICES	1,528.00	528.00		528.00	Pass
1-6358	E	ADMIN EXP: OFFICE RENT	19,243.00	19,146.00		19,146.00	W-4
1-6371	E	ADMIN EXP: TRAVEL EXP	0.00	329.98		329.98	Pass
1-6401.001	E	DIRECT ENGINEERING: BLK	10,472.50	395.00		635.00	I-2
		GF3 Reclass For Report Only--Bookkeeper doesn't need to make this entry			240.00		
1-6403.A00	E	MOB, TRA & URB: DISTRICT MAINT-SCH MAINT	646,860.78	705,386.05		726,033.50	I-2
		GF 4 Record Accounts Payable per analysis			20,647.45		
1-6403.B00	E	MOB, TRA & URB: DISTRICT MAINT-WATER CoH	228,332.07	285,470.90		285,470.90	W-4-1a
1-6403.C00	E	MOB, TRA & URB: DISTRICT MAINT-ELECTRICITY & some actual M&R	24,373.02	22,768.75		22,768.75	I-2
1-6403.D00	E	MOB, TRA & URB: DISTRICT MAINT-IRRIGATION REPAIR	56,644.36	101,622.21		101,622.21	I-2
1-6403.E00	E	MOB, TRA & URB: DISTRICT MAINT-LANDSCAPE	376,694.14	85,328.40		85,328.40	I-2
1-6403.F00	E	MOB, TRA & URB: DISTRICT MAINT-HARDSCAPE	62,139.92	36,739.48		36,739.48	I-2
1-6403.G00	E	MOB, TRA & URB: DISTRICT MAINT-SIGNS	0.00	8,911.00		8,911.00	I-2
1-6403.L00	E	MOB, TRA & URB DIST. MAINT. LAKE	30,680.52	33,584.03		33,584.03	I-2
1-6413	E	MOB, TRA & URB: CAPITAL MAINT/PROJ Lawn management	345,381.40	12,817.17		12,577.17	I-2
		GF3 Reclass For Report Only--Bookkeeper doesn't need to make this entry			(240.00)		
1-6414	E	MOB, TRA & URB: UTILITY BURIAL none in current year	338,448.72	0.00		0.00	I-2
1-6414.D00	E	Mobility, Transport & Urban Design: Maintenance-Holiday Decor	11,546.63	48,938.36		48,938.36	I-2
1-6416	E	MOB. TRA & URB: HOLIDAY LIGHTS	16,750.83	0.00		0.00	I-2

A-1-1

**Memorial Management District  
Trial Balance Worksheet - Grouped by Type**

A-1-2

Account	Type	Description	11/30/22 Adjusted Balance	11/30/23 Unadjusted Balance	Adjusting JE Adjustments	11/30/23 Adjusted Balance	11/30/23 WP Reference
1-6550	E	ADMIN EXP: OFFICE SUPPLIES	5,282.34	3,607.87		b 3,607.87	Pass
1-6560	E	ADMIN EXP: PAYROLL EXP	51.56	46.75		a 46.75	Pass
1-6601	E	Security & Public Safety: Flock Cameras	61,625.00	91,925.00		91,925.00	I-2
1-6602	E	Security & Public Safety: Unscheduled Program Activities	0.00	8,554.90		8,554.90	Pass W-1
1-6603	E	SECURITY & PUBLIC SAFETY: SECURITY AND SAFETY NETWORK	617,856.00	670,905.00		673,650.00	W-4
		GF 1 Adjust to agree beginning fund balance to prior year ending-4332 isn't included in P/L so isn't closing			(5.00)		
		GF 4 Record Accounts Payable per analysis			2,750.00		
1-6700.01	E	BUILDING RELATIONSHIPS	14,386.40	1,639.95		1,639.95	Pass W-1
1-6702	E	BUILDING RELATIONSHIPS: WEBSITE HOSTING	6,390.00	150.00		150.00	Pass W-1
1-6708	E	BUILDING RELATIONSHIPS: ADV/SIGNAGE/PROMOTIONAL	406.76	11,000.00		11,000.00	Pass W-1
1-7395	E	ADMIN EXP: MISCELLANEOUS EXP	5,808.70	9,694.07		b 9,694.07	Pass W-1
		<b>Total Expense</b>	<u>3,230,544.98</u>	<u>2,452,047.69</u>	<u>30,834.86</u>	<u>2,482,882.55</u>	
		<b>Totals</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
		<b>Net Profit/(Loss)</b>	<u>313,659.90</u>	<u>1,575,637.05</u>	<u>(46,057.10)</u>	<u>A 1,529,579.95</u>	

Sum A (4,562,977.87)

A-1-2

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708

PO Box 29584  
Austin, TX 78755-5126  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

February 28, 2024

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

In planning and performing our audit of the financial statements of Harris County Municipal Management District No. 1 (the "District") as of and for the year ended November 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the District's financial statements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Material Weaknesses**

Last year, and again this year, we observed the following deficiencies in the District's internal controls that we consider to be material weaknesses.

The District's management consists of an appointed Board of Directors (the "Directors"). Some Districts also have employees that function as a component of management. In most cases, the day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors, and from time-to-time employees, of the District supervise the performance of the Consultants; however, although the Consultants can be part of the District's system of internal control, the Consultants are not members of management. Ultimately, the Directors, and from time-to-time employees, of the District are responsible for the design and implementation of the system of internal control.

### **Material Weaknesses (Continued)**

As is common within the system of internal control of most small organizations, the accounting function of the District does not include preparation of the financial statements complete with footnotes in accordance with accounting principles generally accepted in the United States of America. Accordingly, the District has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the District's system of internal control over financial reporting.

During the course of performing an audit, we prepared various entries to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control. In addition, the District's Management relies on the District's auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control. Auditing standards do not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective of auditing standards to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the material weaknesses above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor.

### **Management's Response**

The District's Board of Directors is appointed from the general population and do not necessarily have governmental accounting expertise. The Board engages consultants who possess industry knowledge and expertise to provide financial services, as well as legal and professional engineering services. Based on the auditor's unmodified opinion and after reading the financial statements, the Board believes the financial statements to be materially correct. The Board does not think that the addition of an employee or consultant to oversee the annual financial reporting process is necessary nor would it be cost effective.

### **Conclusion**

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas