

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1

TRAVIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
SH130 Municipal Management District No. 1
Travis County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of SH130 Municipal Management District No. 1 (the "District") as of and for the year ended September 30, 2022, 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 each major fund of the District as of September 30, 2022, 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.

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 are 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
Certified Public Accountants
Houston, Texas

May 15, 2024

**SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management’s discussion and analysis of the financial performance of SH130 Municipal Management District No. 1 (the “District”) provides an overview of the District’s financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the District’s financial statements.

BACKGROUND AND FORMATION

The District, a governmental agency of the State of Texas, created on May 3, 2019 by House Bill No. 4694, 86th Regular Session of the Texas Legislature, operates under and is governed by the provisions of Chapter 3971 of the Special District Local Laws Code. The District was created under the terms and conditions of Article III, Sections 52 and 52-a and Article XVI, Section 59 of the Texas Constitution for, among other purposes, promoting, developing, encouraging and maintaining employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety and the public welfare in the District.

On August 31, 2021, the District approved a resolution authorizing and approving the creation of the Texas Essential Housing Public Facility Corporation (the “TEHPFC”) under Chapter 303 of the Texas Local Government Code, as amended. The TEHPFC’s purpose is to assist the District by owning, financing, refinancing and/or providing public facilities with the goal of affordable housing that is affordable to residents relative to their area’s median family income.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the governmental-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 similar to 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 of 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.

**SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

The Statement of Activities reports how the District's net position changed during the current fiscal 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 two governmental fund types. The General Fund accounts for resources not accounted for in another fund, economic development expenditures and general expenditures. The Blended Component Unit - TEHPFC Fund accounts for the revenues and expenditures from TEHPFC's transactions with the goal of providing affordable housing.

Governmental funds are reported in each of the financial statements. The focus in the fund 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 Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances 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 basic financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). RSI includes the budgetary comparison schedule for the General Fund.

**SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,964,097 as of September 30, 2022. The following table provides a summary of the District's Statement of Net Position as of September 30, 2022. Future audits will present this information on a comparative basis.

Summary of the Statement of Net Position

	2022
Total Assets	\$ 2,263,788
Due to Developer	\$ 88,690
Other Liabilities	211,001
Total Liabilities	\$ 299,691
Net Position - Unrestricted	\$ 1,964,097
Total Net Position	\$ 1,964,097

The following table provides a summary of the District's operations for the year ended September 30, 2022.

Summary of the Statement of Activities

	2022
Revenues -	
Developer Fees	\$ 2,485,520
Application Fees	106,000
Compliance Fees	156,700
Investment Revenues	533
Total Revenues	\$ 2,748,753
Expenses for Services	\$ 725,714
Change in Net Position	\$ 2,023,039
Net Position, Beginning of Year	(58,942)
Net Position, End of Year	\$ 1,964,097

**SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balances as of September 30, 2022, were \$2,052,787, an increase of \$2,030,499 from prior year.

The District's General Fund fund balance as of September 30, 2022 was \$747,009, an increase of \$724,721 from prior year primarily due to transfers from TEHPFC being greater than operating costs.

The District's Blended Component Unit, the TEHPFC, had a fund balance of \$1,305,778 as a result of revenues from developer fees, application fees and compliance fees exceeding expenditures and transfers to the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual other financing sources were \$952,736 more than budgeted. Actual expenditures were \$228,015 more than budgeted expenditures primarily due to more than expected professional fees. These resulted in a positive variance of \$724,721. See the budget to actual comparison for more information.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to SH130 Municipal Management District No. 1, c/o Winstead PC, 401 Congress Avenue, Suite 2100, Austin, Texas 78701.

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Blended Component Unit - TEHPFC	Total	Adjustments	Statement of Net Position
ASSETS					
Cash	\$ 935,912	\$ 1,321,812	\$ 2,257,724	\$	\$ 2,257,724
Prepaid Costs	6,064		6,064		6,064
Due from Other Funds	16,029		16,029	(16,029)	
TOTAL ASSETS	<u>\$ 958,005</u>	<u>\$ 1,321,812</u>	<u>\$ 2,279,817</u>	<u>\$ (16,029)</u>	<u>\$ 2,263,788</u>
LIABILITIES					
Accounts Payable	\$ 210,996	\$ 5	\$ 211,001	\$	\$ 211,001
Due to Other Funds		16,029	16,029	(16,029)	
Due to Developers				88,690	88,690
TOTAL LIABILITIES	<u>\$ 210,996</u>	<u>\$ 16,034</u>	<u>\$ 227,030</u>	<u>\$ 72,661</u>	<u>\$ 299,691</u>
FUND BALANCES					
Nonspendable -					
Prepaid Costs	\$ 6,064		\$ 6,064	\$ (6,064)	\$
Unassigned	740,945	1,305,778	2,046,723	(2,046,723)	
TOTAL FUND BALANCES	<u>\$ 747,009</u>	<u>\$ 1,305,778</u>	<u>\$ 2,052,787</u>	<u>\$ (2,052,787)</u>	<u>\$ - 0 -</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 958,005</u>	<u>\$ 1,321,812</u>	<u>\$ 2,279,817</u>		
NET POSITION					
Unrestricted				1,964,097	1,964,097
TOTAL NET POSITION				<u>\$ 1,964,097</u>	<u>\$ 1,964,097</u>

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

**SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total Fund Balances - Governmental Funds \$ 2,052,787

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

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of -

Due to Developers (88,690)

Total Net Position - Governmental Activities \$ 1,964,097

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

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Blended Component Unit - TEHPFC	Total	Adjustments	Statement of Activities
REVENUES					
Developer Fees	\$	\$ 2,485,520	\$ 2,485,520	\$	\$ 2,485,520
Application Fees		106,000	106,000		106,000
Compliance Fees		156,700	156,700		156,700
Miscellaneous Revenues		533	533		533
TOTAL REVENUES	\$ - 0 -	\$ 2,748,753	\$ 2,748,753	\$ - 0 -	\$ 2,748,753
EXPENDITURES/EXPENSES					
Service Operations:					
Personnel Expenditures, including Benefits	\$ 200,262	\$ 4,845	\$ 205,107	\$	\$ 205,107
Professional Fees	320,504		320,504		320,504
Contracted Services	23,394		23,394		23,394
Business and Economic Development	80,240		80,240		80,240
Other	95,998	471	96,469		96,469
TOTAL EXPENDITURES/EXPENSES	\$ 720,398	\$ 5,316	\$ 725,714	\$ - 0 -	\$ 725,714
EXCESS OF REVENUES					
OVER EXPENDITURES	\$ (720,398)	\$ 2,743,437	\$ 2,023,039	\$ - 0 -	\$ 2,023,039
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	\$ 1,437,659	\$ (1,437,659)	\$	\$	\$
Developer Contributions	7,460		7,460	(7,460)	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 1,445,119	\$ (1,437,659)	\$ 7,460	\$ (7,460)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 724,721	\$ 1,305,778	\$ 2,030,499	\$ (2,030,499)	\$
CHANGE IN NET POSITION				2,023,039	2,023,039
FUND BALANCE/NET POSITION - OCTOBER 1, 2021	<u>22,288</u>		<u>22,288</u>	<u>(81,230)</u>	<u>(58,942)</u>
FUND BALANCE/NET POSITION - SEPTEMBER 30, 2022	<u>\$ 747,009</u>	<u>\$ 1,305,778</u>	<u>\$ 2,052,787</u>	<u>\$ (88,690)</u>	<u>\$ 1,964,097</u>

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

**SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2022**

Net Change in Fund Balance - Governmental Fund \$ 2,030,499

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

Governmental funds report developer contributions as other financing sources. However, in the Statement of Net Position, developer contributions, net any amount paid to the developer, are recorded as a liability.

(7,460)

Change in Net Position - Governmental Activities \$ 2,023,039

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

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1. CREATION AND PURPOSE OF THE DISTRICT

SH130 Municipal Management District No. 1 located in Travis County, Texas (the “District”), a governmental agency of the State of Texas, was created on May 3, 2019 by House Bill No. 4694, 86th Regular Session of the Texas Legislature, operates under and is governed by the provisions of Chapter 3971 of the Special District Local Laws Code. The District was created under the terms and conditions of Article III, Sections 52 and 52-a and Article XVI, Section 59 of the Texas Constitution for, among other purposes, promoting, developing, encouraging and maintaining employment, commerce, transportation, housing, tourism, recreation, the arts, entertainment, economic development, safety and the public welfare in the District. The reporting entity of the District encompasses those activities and functions over which the District’s officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”), all of which have been elected or deemed elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB standards since the majority of Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

On August 31, 2021, the District approved a resolution authorizing and approving the creation of the Texas Essential Housing Public Facility Corporation (the “TEHPFC”) under Chapter 303 of the Texas Local Government Code, as amended. The TEHPFC’s purpose is to assist the District by owning, financing, refinancing and/or providing public facilities. The TEHPFC is governed by a board of directors of at least three members who are all appointees named and voted upon by the District’s Board.

As required by generally accepted accounting principles, and in conformance with GASB Statements No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and subsequently amended by GASB No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB Statements No. 14 and No. 34 the District evaluated its potential component units to determine the reporting entity.

The reporting entity consists of the District and it’s blended component unit. Component units are legally separate organizations for which the board is financially accountable for or other organizations whose nature and significant relationship with the District are such that exclusion would cause the District’s financial statements to be misleading or incomplete. The District is financially accountable if it appoints a majority of the component unit’s board and (1) is able to impose its will on the component unit, or (2) there is a potential to provide specific financial benefit or to impose a burden on the District.

The basic financial statements include a blended component unit, the TEHPFC. The blended component unit is reported in a separate column and included in the total column for the government entity.

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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 “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 or not 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.

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”). 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 Asset; Restricted; and Unrestricted.

These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or 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.

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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 funds 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.

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds - The District has two governmental funds and considers each to be a major fund.

General Fund – To account for resources not required to be accounted for in another fund, economic development expenditures and general operating expenditures.

Blended Component Unit – To account for the revenue and expenditures generated by the TEHPFC.

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 collectible 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 collectible 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.

Amounts transferred between the General Fund and the Blended Component Unit Fund are reported as other financing sources or uses. Loans between the General Fund and the Blended Component Unit and amounts paid by either party for the other are reported as due from or due to other governmental units in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor has the ability to repay the advance on a timely basis. As of September 30, 2022, the Blended Component Unit owed the General Fund \$16,029 to help fund payroll expenditures. During fiscal year 2022, the Blended Component Unit transferred \$1,437,659 to the General Fund to help fund operations.

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 budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

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 Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources.

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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 no assigned fund balances.

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.

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.

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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 fiscal year end, the carrying amount of the District’s deposits was \$2,257,724 and the bank balance was \$2,284,194. Of the bank balance, \$500,000 was covered by the Federal Deposit Insurance Corporation and the remaining was covered by collateral held by a third party. The District was not exposed to custodial credit risk at year-end.

The carrying value of the deposits as of September 30, 2022, are summarized in the following table:

	Cash
GENERAL FUND	\$ 935,912
BLENDED COMPONENT UNIT	1,321,812
TOTAL DEPOSITS	\$ 2,257,724

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 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

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

As of September 30, 2022, the District did not own any investments.

NOTE 4. 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 for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and there have been no settlements in the past year.

NOTE 5. LEASE

On April 1, 2022, the District entered into a sublease agreement for office space. Per agreement, the lease is month to month and can be terminated by either party with 30 days notice. Monthly lease payments are \$1,200. Lease expenditure for fiscal year 2022 totaled \$8,400.

NOTE 6. DEVELOPER LIABILITY

The District has executed construction of improvements and reimbursement of advances agreements with Developers. The agreements call for the Developers to fund costs associated with certain improvements and costs for creation, administration, organization operation and maintenance of the District. Future reimbursements will come from proceeds of future bond issues to the extent allowable by law. As of September 30, 2022, the District owes the Developer \$88,690, of which all consists of operating advances. The following details the activity in the due to developer liability in the current year:

Due to Developer, October 1, 2021	\$	81,230
Additions		7,460
Due to Developer, September 30, 2022	\$	88,690

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7. HOTEL OCCUPANCY TAX

On August 12, 2020, the District approved an order imposing a hotel occupancy tax. The order imposes a tax upon the occupant of any room in a hotel within the District for which the cost of occupancy is at the rate of \$2.00 or more per day and such tax is equal to 7% of the price paid for the occupancy of a room in the hotel with exceptions as noted in the order. Fees are to be collected by the hotel and remitted to the District quarterly. As of fiscal year 2022, there were no hotel tax revenue recognized by the District.

NOTE 8. SALES AND USE TAX REVENUES

On November 3, 2020, the voters of the District authorized the District's Board of Directors to levy and collect a 2% sales and use tax within the District, subject to the applicable provisions of the Texas Tax Code. The District would be able to use funds for the benefit of the District for any District purpose. As of fiscal year 2022, there were no sales and use tax revenues recognized by the District.

NOTE 9. TEXAS ESSENTIAL HOUSING PUBLIC FACILITY CORPORATION

The TEHPFC provides tax exemptions to developers for the goal of providing affordable multi-family housing which includes ground-up or new build developments as well as existing project acquisitions and/or rehabilitations. These are done through joint venture ground leases or governmental tax-exempt bonds/loans. For the joint venture ground leases, the TEHPFC owns the ground which is then leased back to the developer for the following payments: 1) a one time application fee, 2) a one time developer fee and 3) recurring payments which include: a) annual compliance fees based on number of units, b) quarterly fees based on a percentage of the sales and use tax savings and c) lease payments in the form of a percentage of ad valorem tax savings which increases in the fourth year if project is a new build. For governmental tax-exempt bonds/loans, the TEHPFC helps the developer obtain financing in return for the following payments: 1) a one time application fee and 2) a percentage of the aggregate par amount of the bonds or loans. For the year ended September 30, 2022, the TEHPFC recognized \$2,485,000, \$106,000 and \$156,700 in developer fees, application fees and compliance fees, respectively.

NOTE 10. MAINTENANCE TAX ELECTION

On November 5, 2019, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.20 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's water and wastewater systems and any other lawful purpose.

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

**SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
Service Operations:			
Personnel Expenditures, including Benefits	\$ 275,170	\$ 200,262	\$ 74,908
Professional Fees	126,000	320,504	(194,504)
Contracted Services	18,000	23,394	(5,394)
Business and Economic Development		80,240	(80,240)
Other	73,213	95,998	(22,785)
TOTAL EXPENDITURES	\$ 492,383	\$ 720,398	\$ (228,015)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (492,383)	\$ (720,398)	\$ (228,015)
OTHER FINANCING SOURCES(USES)			
Transfers In	\$ 492,383	\$ 1,437,659	\$ 945,276
Developer Contributions	_____	7,460	7,460
TOTAL OTHER FINANCING SOURCES (USES)	\$ 492,383	\$ 1,445,119	\$ 952,736
EXCESS OF REVENUES OVER EXPENDITURES	\$ -0-	\$ 724,721	\$ 724,721
FUND BALANCE - OCTOBER 1, 2021	22,288	22,288	_____
FUND BALANCE - SEPTEMBER 30, 2022	\$ 22,288	\$ 747,009	\$ 724,721

See accompanying independent auditor's report.

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SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2022

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>200,262</u>
PROFESSIONAL FEES:	
Engineering	\$ 69,643
Legal	<u>250,861</u>
TOTAL PROFESSIONAL FEES	<u>\$ 320,504</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 15,696
Other Consultants	<u>7,698</u>
TOTAL CONTRACTED SERVICES	<u>\$ 23,394</u>
BUSINESS AND ECONOMIC DEVELOPMENT	<u>\$ 80,240</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,800
Insurance	1,213
Lease Payments	8,400
Travel and Meetings	389
Software	70,835
Other	<u>7,361</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 95,998</u>
 TOTAL EXPENDITURES	 <u>\$ 720,398</u>

See accompanying independent auditor's report.

**SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022**

District Mailing Address - SH130 Municipal Management District No. 1
c/o Winstead PC
2728 N. Harwood St., Suite 500
Dallas, TX 77201

District Telephone Number - (214) 745-5400

Board Members	Term of Office (Appointed)	Fees for the year ended <u>September 30, 2022</u>	Expense Reimbursements for the year ended <u>September 30, 2022</u>	<u>Title</u>
Warren Hayes	07/19 05/24 (Elected)	\$ 1,500	\$ -0-	President
Stephen Shang	07/19 05/26 (Elected)	\$ 1,350	\$ -0-	Vice President
Mike Krusee	08/22 05/26 (Appointed)	\$ 150	\$ -0-	Secretary
Albert Hawkins	07/19 05/24 (Elected)	\$ 1,350	\$ -0-	Treasurer/ Assistant. Secretary
Robert Walker	07/19 05/24 (Elected)	\$ 1,500	\$ -0-	Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District’s developers or with any of the District’s consultants. In accordance with Texas Water Code Section 49.060, the limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District’s current fiscal year. The submission date of most recent District Registration Form was June 13, 2022.

See accompanying independent auditor’s report.

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2022</u>	<u>Title</u>
Winstead PC	07/31/19	\$ 173,041	Attorney
McCall Gibson Swedlund Barfoot PLLC	08/14/23	\$ -0-	Auditor
Inframark	03/16/22	\$ 13,548	Bookkeeper
Doucet & Associates	07/31/19	\$ 5,120	Engineer
Frost Bank	03/16/22	\$ -0-	Financial Advisor

See accompanying independent auditor's report.

